



Research Regarding the Financing of the Revitalization Process for Rural Space in the Context of Sustainable Challenges

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ABSTRACT

In an era marked by profound environmental, economic and social transformations, rural spaces around the globe are at a critical juncture. The imperative to rejuvenate and revitalize these often overlooked regions has never been more pressing. As the world grapples with the complexities of sustainability, rural areas are emerging as significant focal points in the pursuit of balanced and environmentally conscious development. This article examines a key aspect of this transformation – the financing of revitalization efforts in rural areas. Beyond their picturesque landscapes and traditional agrarian economies, rural areas have the potential to become sustainable powerhouses, promoting both local well-being and global ecological stability. However, achieving this vision requires innovative approaches to financing that align with the principles of sustainability. Our research embarks on an exploratory journey into the complex web of financial mechanisms and strategies that underpin rural revitalization in today's sustainable landscape. It seeks to uncover the multi-faceted challenges and opportunities facing decision-makers, stakeholders and rural communities themselves as they strive to harness the potential of these spaces while ensuring the preservation of their unique identities.

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1. Introduction

In a constantly changing world, rural space plays a key role in ensuring socio-economic stability and global sustainability. However, the countryside is currently facing numerous challenges such as depopulation, economic decline, loss of biodiversity and climate change. To ensure the viability of these regions and to promote sustainable development, it is imperative to initiate significant revitalization processes.

One of the most pressing issues related to rural revitalization is the adequate financing of these initiatives. Revitalization is not just a matter of restoring physical infrastructure, but also involves a transformation of communities and how they relate to their surroundings. Thus, a multidimensional and sustainable approach to the financing of these projects is necessary.

The purpose of this article is to investigate and review the strategies and financing mechanisms available for the revitalization process of rural space, with a particular focus on sustainable aspects. We will explore the specific challenges facing the financing of these projects and we will review the financing models for the revitalization of the rural space in Romania, with the financing lines granted and the projects that have been carried out.

In an era where we face major threats such as climate change and resource depletion, it is essential to identify innovative and effective ways to revitalize the countryside so that it becomes a center of sustainability and prosperity.

The current research brings a contribution to the existing research through a deeper understanding of the dynamics of the rural space, respectively through the identification of the sources through which the three essential components, the economic, environmental and social sectors can be developed effectively.

The paper begins by assessing the specialized literature regarding rural development, with emphasis on the Common Agricultural Policy, but also by assessing the policies developed by the European Commission.

The second part of the work aims at the research methodology by identifying the particularities of the rural space, surfaces, villages in Romania. Also, the challenges of the Romanian rural space are identified: economic, social and environmental.

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In the following, the sources of financing existing in Romania for the development of the rural area are examined, as well as the four categories of actions suggested by the European Commission for the revitalization of the rural area.

The work is completed by outlining the conclusions and recommendations based on the elements identified in the previous stages.

2.Literature review

According to data provided by the European Commission, rural development represents the second pillar of the Common Agricultural Policy (CAP), with its objective being to support rural areas in the development of economic, environmental, and social sectors, aiming to enhance the quality of life for people in all its complexity (European Commission).

Through the analysis of global changes brought about by the process of globalization, sustainable development has become a necessity in this period, and actions addressing this need must be prominently emphasized across all areas of activity (Cristache, et al., 2019).

Strategies in various sectors of activity for the development of projects towards sustainability are necessary in both urban and rural environments, considering the unique development needs of each. A particular emphasis is recommended to be placed on the development of sustainable strategies for rural areas in the upcoming period, given the increasingly evident disparities between the two regions.

According to reports compiled by the National Institute of Statistics, there is a 43.6% share of Romania's population residing in rural areas (National Institute of Statistics, 2019), highlighting the potential of these regions and the need for adaptability to the new global challenges.

The Romanian rural landscape represents a significant part of the national identity due to its uniqueness and authenticity, recognized internationally and promoted by foreign tourists. However, these areas face various development issues and a lower standard of living for residents in certain zones, compared to urban areas (Mateoc, et al., 2019).

Rural development, in its essence, represents a priority of rational management of rural space and the efficient utilization of the resources it possesses in order to improve and enhance the performance of the economic, social, and environmental sectors, taking into consideration the ecosystem to which these areas belong.

Assessing the evolution of the Romanian rural space in recent decades, this has occurred through independent local or regional development initiatives, with the approach varying from one geographical area to another depending on the available resources, the potential of the area, and the involvement of stakeholders in their development (Otiman, 2006).

The advancement of rural regions must be viewed as a versatile utilization of land, human, financial, and capital assets, acknowledging the constraints imposed by the biological, geographical, economic, and social environment (Dachin, 2006).

On an economic level, the transformation into a sustainable and competitive approach requires a new mode of action that focuses on innovation, optimism, and resilience from both the communities and the representatives of public and private institutions (Petrariu R et al, 2023).

In a social context, there is a recognized need for a cohesive society by improving the education and healthcare systems, along with all their components, as well as reducing disparities between urban and rural areas, which contribute to the promotion of an open society where citizens feel valued and supported.

From an environmental perspective, awareness of their importance has grown in recent years, with the protection of natural and anthropic resources being the responsibility of all citizens (Ionescu, R. V., et al, 2022).

The European Commission has a range of policies and programs aimed at promoting sustainable rural development in the member states of the European Union. These policies and programs primarily focus on three main aspects:

- Improving competitiveness and diversifying the rural economy through investments in infrastructure and business development. These investments include the modernization and diversification of sectors in agriculture, promoting rural tourism and other local industries, as well as improving transportation and communication infrastructure;
- Protecting the environment and enhancing the quality of life in rural areas by promoting organic agriculture and sustainable natural resource management. These policies involve encouraging more environmentally sustainable agricultural practices and promoting the use of renewable energy sources to increase energy efficiency in rural areas;
- Promoting social inclusion and territorial cohesion by supporting the development of rural communities and public services. These policies include fostering the development of local communities through support for social innovation and the social economy, as well as improving access to public services such as education and healthcare (Department for Sustainable Development, 2020).

These policies and programs are funded through the European Agricultural Fund for Rural Development (EAFRD) and other European programs. The European Commission monitors and evaluates the implementation of these policies to ensure sustainable rural development in Europe.

Sustainable development represents the concept of a society that can efficiently address significant environmental and social challenges while maintaining sustainable economic growth that brings prosperity and well-being (Bran, 2014).

3. Methodology

In Romania, rural areas have experienced uneven development; not all regions in the country have progressed at the same rate. Some areas are more developed, while others require significant investments to promote sustainable development (Dumitru et al., 2021).

The rural area of Romania is composed of the administrative territory of its 2,688 communes, which encompass a total of 12,751 villages. The land associated with the rural space accounts for 87.1% of Romania's total land area. Consequently, this space serves as the primary repository for a significant portion of the country's economic resources, raw materials for industry, agricultural and forestry resources, as well as tourism assets. This once again underscores the importance and necessity of development in correlation with global trends.

The Romanian rural space is currently facing a series of sustainability challenges, which encompass the three categories mentioned earlier.

Economic challenges:

- Depopulation and population aging: Many rural areas are facing a population decline, which can affect the local economy and public services;
- Lack of investment in infrastructure: Poor infrastructure can limit economic development and access to basic services such as healthcare and education;
- Dependency on the agricultural sector: Many rural areas are dependent on agriculture, which can be impacted by climate change, extreme weather conditions, and price fluctuations.

Social challenges:

- Lack of access to healthcare and education: Many residents of rural areas face difficulties in accessing healthcare and education services due to long distances and a lack of adequate infrastructure;
- Social exclusion: Rural inhabitants can be marginalized and socially excluded due to geographical isolation and a lack of opportunities.

Ecological challenges:

- Environmental degradation: Inadequate agricultural practices and pollution can lead to soil and water degradation;
- Climate change: Rural areas can be vulnerable to extreme weather phenomena such as droughts, floods, and violent storms.

To address these challenges, an integrated and collaborative approach involving public institutions, rural communities, and the private sector is necessary. Public policies and funding programs should focus on sustainable economic development, environmental protection, and the enhancement of social and healthcare services. Promoting innovation and technology can help increase efficiency and reduce environmental impact.

In order to achieve sustainable development effectively, it is crucial to understanding the relationship between the multifunctionality nature of rural regions and the diverse composition of the economy, encompassing agriculture, non-agricultural industries, and the service sector, which collectively contribute to job creation and the alleviation of social pressures (Merenkova et al., 2019).

For the development and revitalization of rural areas, a series of funding opportunities are identified to contribute to the growth of sectors in the rural zone. These are extensively highlighted in the work titled "Particularities of the financing of rural projects in the context of the new European challenges."

For the present research, the focus will be on highlighting the funding line for rural projects that target a broader scope, encompassing both the agricultural sector and related activities, as well as non-agricultural economic activities.

According to the Agency for Rural Investment Financing (AFIR), the National Rural Development Program represents the instrument through which non-refundable funds are granted from the European Union and the Romanian Government for the socio-economic development of rural areas in Romania. The general objective of this program is to reduce economic and social disparities between rural and urban areas in Romania by enhancing competitiveness and diversifying the local economy in rural areas.

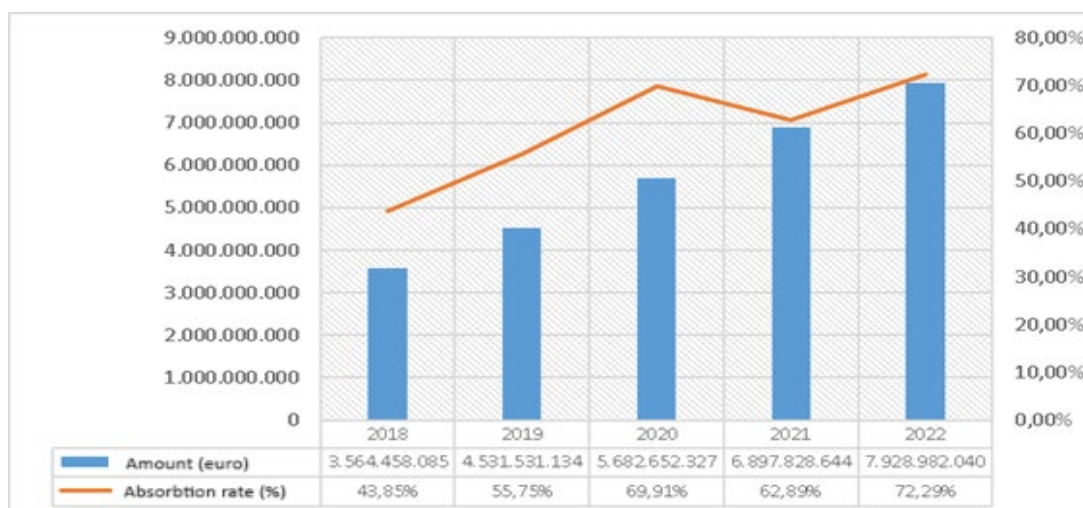


Figure 1. The absorption status for projects financed through the National Rural Development Program in the period 2018-2022

Source: The authors' contribution is based on the data provided by the Ministry of European Funds.

Through the above graphical representation, one can observe the absorption status for projects funded through the National Rural Development Program during the reference period of 2018-2022, both in terms of funds attracted and the degree of absorption from the total funding provided.

Regarding the amounts attracted during the examined reference period, there is an upward trend, starting from 3,564,458,085 lei in 2018 and reaching a fund absorption of 7,928,982,040 lei in 2022 (Ministry of European Funds, 2023).

This increase represents an important economic indicator concerning the development of the Romanian rural areas and highlights the fact that investment processes in these areas are efficiently carried out from one period to another.

From the perspective of the degree of fund absorption allocated during the reference period, until the year 2020, there is a gradual increase in the degree of financial resource attraction from the total allocation, with a percentage increase of 26.06% over the three years. In 2021, there is a slight decrease in the absorption rate due to the increase in the amount of non-refundable financing compared to the previous period. In 2022, the best results, relative to the examined period, are recorded, reaching a threshold of 72.29% (Ministry of European Funds, 2023).

The allocation of financial resources highlighted in the above graphical representation focuses on specific development priorities, primarily related to innovation in the agricultural and forestry sectors, the development and improvement of the food supply chain, efficient resource utilization, and the promotion of social inclusion and the reduction of disparities in rural areas.

All these priorities facilitate the achievement of cross-cutting objectives related to innovation, environmental protection, and climate change mitigation and adaptation.

The examined findings emphasize the potential for the revitalization of rural areas in Romania across various sectors, taking into account the National Rural Development Program's scope.

This program, in the financial exercises of 2007-2013 and 2014-2020, made significant contributions to the Romanian rural areas by supporting investments in both the public and private sectors but were insufficient for the identified needs in underdeveloped regions.

The variety of needs and, by extension, the range of solutions that can be considered for addressing existing issues must always be in correlation with the financial and institutional capabilities of the responsible entities (Dima et al., 2023).

Regarding the development directions of the Romanian rural space, the resources it possesses represent the direction in which medium and long-term strategies can be envisioned. Thus, as a result of identifying development needs, the European Commission has renewed its commitment to rural communities and proposes four categories of actions to be implemented by 2030 through provided funding.



Figure 2. The four categories of actions presented in the action plan for the revitalization of rural areas

The four categories of actions will be highlighted in the further research as follows:

1.Stronger Rural Areas

Rural spaces should belong to autonomous and dynamic communities through equal participation of women and men in the processes of policy development and the actions derived from them. Additionally, cooperation between the public and private sectors and among interested stakeholders would facilitate effective collaboration towards achieving sustainable goals through innovative service delivery solutions, considering the available digital tools.

2.Rural Connected Zones

This action involves connecting rural areas with each other and with peri-urban and urban areas to provide a wider range of services and offer more opportunities for development, both economically and socially, as well as in terms of human resources. The process of connecting rural areas can be achieved through the development of transportation connections and the enhancement of digital infrastructure.

3.Resilient Rural Areas

Rural areas play an essential role in the transition to a green economy due to their natural resources. Thus, by conserving these resources, restoring natural and anthropic elements, and engaging in environmentally protective agricultural activities, the resilience of rural areas to recent climate changes, natural disasters, and economic crises can be enhanced. Additionally, the digital transition, along with environmental considerations, can promote social resilience among members of rural communities.

4.Prosporous Rural Areas

Rural areas have the potential for prosperity through diversifying activities across various fields. Diversifying economic activities and increasing the added value to the agricultural, forestry, and tourism sectors will have beneficial effects on the labor force, thereby contributing to a reduction in migration rates and depopulation in rural communities. Sustainable development strategies should focus on access to education and digital literacy for acquiring new skills.

In the effort to develop rural areas, all four highlighted categories emphasize the importance of sustainability, but they differ in their focus on gender, connectivity, resilience to climate change, and economic prosperity.

Common to all approaches is the promotion of digital infrastructure as an essential tool for efficient service delivery and capacity building.

Although the goals differentiate these categories, their integrated approach could create beneficial synergies for rural development, simultaneously promoting gender equality, economic growth, environmental conservation, and resilience to climate change.

Additionally, the development of the tourism sector plays an essential role in the prosperity of rural areas, considering the existing and underutilized natural potential. For this reason, it is recommended that the interest in the development of rural tourism should be increased, with a particular focus on mountainous and hilly areas, regions where small population households are predominant, and alternative income from tourism is the highest (Ildiko, Radulescu, & Bran, 2014).

4.Results and recomandations

By analyzing the previously highlighted elements regarding the ways in which rural development can be financed in the context of global sustainability challenges and sustainable development directions set by the European Commission's objectives, we will outline a series of results and recommendations. In Romania, to ensure the success of rural space revitalization, actions are recommended in the following development directions.

Promoting an intelligent, resilient, and diversified agricultural sector through enhancing the position of farmers within the value chain, supporting agricultural production diversification, and improving the sustainability of subsistence farms is a key objective. Additionally, a significant action involves the installation of young farmers and assisting them in developing their enterprises, as well as advancing the European agricultural model by expanding organic agri-food production, obtaining ecological certifications, and establishing inclusive product chains, including sustainable biomass and biofuel production.

Strengthening the socio-economic structure by reducing the economic and social gap between urban and rural areas, eradicating poverty in rural areas and reducing the degree of depopulation of communities. These objectives are possible by integrating community members into local activities, by creating new jobs in line with new global trends, by providing access to education and improving digital infrastructure (European Commission, 2020).

The implementation of local development initiatives through the organization of local action groups (LAGs), thus ensuring social and economic integration.

Promoting the sustainable management of forest lands by increasing the areas planted with forests with a protective role against climatic factors as well as for the development of recreational activities.

In order to increase the absorption of funds for rural development, there are a number of recommendations.

The first recommendation refers to the development of partnerships between public authorities, non-governmental organizations, and the private sector, which can be beneficial for the development and implementation of projects, the identification and implementation of innovative solutions, and ensuring the efficient use of resources.

The second recommendation emphasizes the promotion of cross-border cooperation – this form of cooperation can be an efficient way to use European funds and stimulate economic and social development in cross-border regions.

The third one refers to increasing the transparency of the use of non-repayable funding.

The need for simplifying procedures is another recommendation because the procedures for accessing European funds can be complex and time-consuming, which may discourage beneficiaries from attempting to obtain funding.

These are part of the recommendations that can contribute to increasing the attraction of funding for the development of rural space, with an emphasis on underdeveloped regions that present an increased potential for success given the resources they have.

5. Conclusions

By scrutinizing the elements mentioned earlier in this study, we derive conclusions about the pathways for rural areas' advancement, taking into account the European Commission's highlighted strategies for rural development, the identified requirements, and the potential to address challenges brought about by globalization.

Romania stands out at the European level through the high potential of rural areas in terms of natural resources for the realization of a sustainable agricultural sector, but at the same time also through its low level of productivity (Radulescu and Ioan, 2015).

Thus, we observe that significant emphasis is placed on natural resources related to the fertile land available in rural areas, which can promote sustainable agricultural development for both the agricultural sector and related industries. An intelligent, resilient, and diversified agricultural sector presents a national challenge, given the highly polarized structure of farms, with the majority operating at subsistence levels. By analyzing Romania's negative trade balance, it is evident that the country exports raw materials (such as cereals and live animals) and imports finished products with higher added value (Perciun et al., 2017).

These elements highlight the development potential of the agricultural sector in Romania, and the fulfillment of set objectives is pursued through the allocation of funding via the National Rural Development Program (PNDR) and the Common Agricultural Policy (CAP). This approach aims to foster the growth of both the agricultural sector and its related industries (Common Agricultural Policy).

Another significant resource in rural areas is represented by the natural, anthropic, and cultural elements that serve Romanian tourism, particularly agrotourism. Thus, sustainable projects for the conservation and preservation of heritage, as well as infrastructure improvements, are necessary for the development of this sector. Foreign investors can also be attracted to the tourism sector, contributing to the development of sustainable projects.

The aim of sustainable development policy is to advance the welfare of humanity on a global scale, measured by criteria like security, meeting material needs, health, social interactions, and the freedom to choose and act. To accomplish this objective, it is crucial to produce and apportion wealth in manners that diminish poverty and offer a reasonable living standard for individuals across the world (Ciocoiu, 2011).

Furthermore, the consolidation of the socio-economic structure of rural areas is an important factor in their development, as it is one of the main objectives set by the European Commission.

Rural areas and the rural population account for a very high percentage in Romania, very close to the urban population, with diverse needs. Compared to urban areas, the rural labor force participation rate is lower, and significantly below the European average. The challenging living conditions in these areas have led to an exodus of the active population, underscoring the need to increase the attractiveness of rural areas through investments in basic services and the creation of new employment opportunities for the population residing in these areas. Access to education and gender equality can contribute to sustainable development by involving community members in socio-economic and cultural activities.

This article sheds light on the intricate dynamics of financing rural revitalization in the face of sustainability challenges, offering a comprehensive understanding of the current landscape. Exploring the financing strategies for rural revitalization within the sustainability framework is just the beginning.

Subsequent studies could explore innovative funding models and the role of public-private partnerships in achieving lasting sustainable transformations in rural areas.

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